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## **Testimony to the Insurance & Real Estate Committee Regarding Small Business Healthcare Bill (HB5487)**

Since 1994 I've been a consultant to small business owners in Connecticut and around the country. All but two of my clients have under 50 employees. Some as few as 2.

When asked to participate in the working group, I talked to my current and past clients in the state and asked about the effect health care has on growing their companies. The overwhelming consensus was this:

1. All of them want their employees to be covered and healthy. It pains them when that can't happen.
2. What business owners want most is for the connection between healthcare and employment to be permanently and completely severed. The fact that health care is provided via employment in this country puts them at a competitive disadvantage in the following ways:
  - They compete for employees with larger companies who can offer better health plans
  - If they sell internationally, they compete for projects and customers against companies that often don't have health care as a line item on their P&L
  - It wastes an inordinate amount of time and effort to figure out the best plan that they can afford, and keep up with the changes in plans and price.
3. Absent that severing, employers want plans that are easy to understand, easy to compare and that have prices that don't jump by double digit percentages every year.

Hopefully bill HB5487 will address some of these problems and make it simpler and cheaper (if not entirely unnecessary) for business owners to purchase health care.

The concept of insurance is to spread the risk (and thus the cost) but this only works when the largest pool is used. However, existing laws allow insurance companies to slice and dice that pool in ways that best suit them and their bottom line rather than in ways that provide the best solutions for the people who buy coverage. In addition, they are allowed to present the plans in ways that confuse the customer and make it an adversarial relationship.

**Allowing small companies to purchase through the state employee plan will enlarge the pool for them.**

Currently the age of employees is allowed to affect the cost of plans. This discourages employers from hiring older workers because it makes their health insurance costs go up. Not only is this bad for older workers and the economy as a whole – it distorts the hiring process and encourages

employers to make choices based on something other than who's the best worker for their company. HB 5478 will change that.

**Laws and Regulations that cause the pool to be sliced in favor of insurance companies not their customers contribute to the impression that Connecticut is not a business friendly state.**

I want to end with a story of one of my clients. He was an investment banker with UBS in London before starting a company here in Connecticut. The company grew 75% last year and they now have 6 employees. In addition, they outsource their warehouse and fulfillment to a Connecticut company and that company has added 10 jobs just to service them. When I asked him about health insurance, he told me that his training as an analyst for UBS taught him how to understand the value and risks involved if he were to buy an entire insurance company. But the ability to understand their products and buy health insurance for his six employees was more complex and left him less confident in his decisions. I ask you, if an investment banker feels that way, how equipped is the average entrepreneur to make such an important purchase?

Our neighboring states are more business friendly in this regard and I hope HB 5487 allows Connecticut to move ahead in this direction.

Thank you for your time,

John Seiffer

203-775-6676

[john@BetterCEO.com](mailto:john@BetterCEO.com)

[www.BetterCEO.com](http://www.BetterCEO.com)

418 Anderson Ave. Milford CT 06460